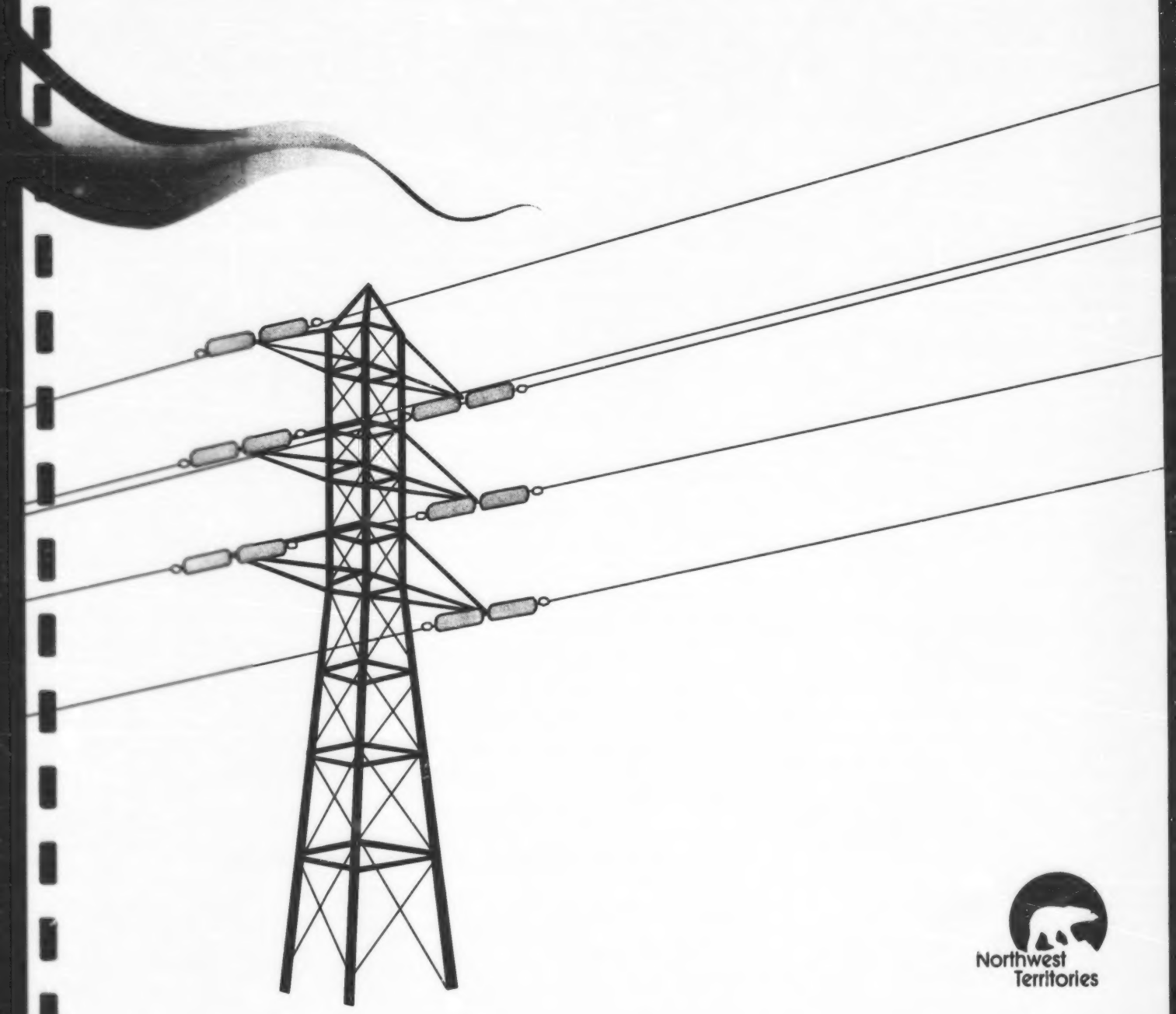
2000
ANNUAL REPORT
PUBLIC UTILITIES BOARD
OF THE NORTHWEST TERRITORIES



Northwest Territories

Northwest Territories Public Utilities Board

March 8, 2001

Micromedia Limited
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20 Victoria Street
Toronto ON M5C 2N8

To Whom It May Concern:

Enclosed is a copy of the 2000 Annual Report of the Public Utilities Board of the Northwest Territories.

Yours truly,

L. Larocque

Louise Larocque
Board Secretary

203 - 62 Woodland Drive, Box 4211, Hay River, NT X0E 1G1
Telephone (867) 874-3944 Fax (867) 874-3639

PUBLIC UTILITIES BOARD

OF THE NORTHWEST TERRITORIES

ANNUAL REPORT

For the year ending
December 31, 2000

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101-03125/

Northwest Territories Minister Responsible for the Public Utilities Board

The Honourable Glenna Hansen
Commissioner of the Northwest Territories

I take pleasure in submitting the Annual Report of the Northwest Territories Public Utilities Board for the calendar year ending December 31, 2000.

Roger T. Allen

Roger T. Allen
Minister

Attachment

Northwest Territories Public Utilities Board

March 1, 2001

The Honourable Roger Allen
Minister Responsible for
the Public Utilities Board
of the Northwest Territories

Dear Minister:

I am pleased to submit the Annual Report of the Northwest Territories Public Utilities Board for the calendar year ending December 31, 2000, in accordance with the provisions of Section 16. (1) of the *Public Utilities Act.*

Yours truly,

John E. Hill
Chairperson

203 - 62 Woodland Drive, Box 4211, Hay River, NT X0E 1G1
Telephone (867) 874-3944 Fax (867) 874-3639

SUMMARY OF 2000 BOARD DECISIONS

DECISION 1-2000 - February 1, 2000

Application - By letter dated January 11, 2000, the Dory Point Settlement applied for Intervenor costs pertaining to Northland Utilities (NWT) Limited's (**"Northland NWT"**) General Rate Application.

Order - The Board reviewed and approved the intervenor costs as submitted.

DECISION 2-2000 - February 15, 2000

Application - By letter dated January 21, 2000, Northland NWT filed proposed rates and rider schedules and the Electric Service Regulations in response to Decision 13-99.

Order - The Board approved Northland NWT's rate schedules and Electric Service Regulation as submitted.

DECISION 3-2000 - February 22, 2000

Application - Northland NWT submitted an application to amended the Rider "E" rate schedule.

Order - The Board reviewed and approved the amended Rider "E" application.

DECISION 4-2000 - March 2, 2000

Application - By letter dated February 10, 2000, the Hamlet of Fort Providence (**"the Hamlet"**) applied for Intervenor costs pertaining to Northland NWT's General Rate Application.

Order - The Board reviewed and approved the Hamlet's intervenor costs as submitted.

DECISION 5-2000 - April 4, 2000

Application - On March 13, 2000, Northland NWT submitted an application to revise its fuel clause Rider "A" for all communities it serves.

The Hamlet made a number of comments with respect to its concerns, which it felt should be addressed by Northland NWT regarding the fuel clause rider.

Order - The Board reviewed and approved the proposed Rider "A" application.

The Board directed Northland NWT to address the issues raised by the Hamlet no later than May 31, 2000.

DECISION 6-2000 - April 10, 2000

Application - By letter dated April 3, 2000, Northland Utilities (Yellowknife) Limited (**"Northland Yk"**) filed for acknowledgement with the Board a revised rate schedule for the City of Yellowknife (**"the City"**), in order to provide high pressure sodium space lights in addition to existing service under the space lighting schedule.

Order - The Board noted that 'filing for acknowledgment' is not a customary practice before the Board and has treated the filing as a request for approval of an interim rate.

The Board approved the application of the revised Space Lighting Rate Schedule on an interim basis.

DECISION 7-2000 - April 12, 2000

Application - By letter dated March 23, 2000, the Town of Hay River applied for Intervenor costs pertaining to Northland NWT's General Rate Application.

Order - The Board reviewed and approved the intervenor costs as submitted.

DECISION 8-2000 - August 29, 2000

Application - On August 14, 2000, the Northwest Territories Power Corporation ("**NWTPC**") submitted an application to revise its Norman Wells Rate Stabilization Fund ("Rider B") for its customers in the Town of Norman Wells.

Order - The Board reviewed and approved the Rider "B" application.

DECISION 9-2000 - October 24, 2000

Application - By letter dated October 5, 2000, NWTPC applied for approval of a $20 million Term Capital Loan Facility ("CLF"). The CLF converted some of NWTPC's Operating Line of credit related to capital expenditures to long-term debt.

Order - After reviewing the application and the information provided in support thereof, the Board approved the conversion of some of NWTPC's operating line of credit to a $20 million Term CLF.

DECISION 10-2000 - November 21, 2000

Application - Northland Yk applied for approval of a proposed Franchise Agreement for the supply and distribution of electrical power to users within the City.

Order - The Board approved the Electric Franchise Agreement.

DECISION 11-2000 - November 28, 2000

Application - On November 9, 2000, Northland NWT submitted an application to revise its fuel clause rider ("Rider A") and its fuel volume variance rider ("Rider I") for the Hay River rate zone.

Order - The Board reviewed and approved the proposed Rider "A" and Rider "I" application.

DECISION 12-2000 - December 8, 2000

Application - On November 20, 2000, the Town of Norman Wells submitted an application requesting an order pursuant to section 18 of the Public Utilities Act declaring that the provisions of the Act do not apply to it.

Order - The Board reviewed the evidence and declared, pursuant to section 18 of the Act, the provisions of the Act do not apply to the Town of Norman Wells with some exceptions.

DECISION 13-2000 - December 8, 2000

Application - By letter dated November 22, 2000, Northland Yk applied for approval to issue a long term instrument in the amount of $500,000 by way of a debenture for a twenty-year term.

Order - After reviewing the application, the Board approved the $500,000 of Long Term Debt Financing.

DECISION 14-2000 - December 8, 2000

Application - By letter dated November 22, 2000, Northland NWT applied for approval to issue a long term instrument in the amount of $300,000 by way of a debenture for a twenty-year term.

Order - After reviewing the application, the Board approved the $300,000 of Long Term Debt Financing.

DECISION 15-2000 - December 8, 2000

Application - By letter dated November 27, 2000, NWTPC submitted an application to revise its Diesel Communities Fuel Stabilization Fund Rider ("Rider A") for all the diesel communities it serves.

Order - After reviewing the amended application, the Board approved the revised Rider "A".

DECISION 16-2000 - December 14, 2000

Application - By letter dated December 8, 2000 Northland Yk filed an application to refund $141,504 to its customers in the City related to the Public Utilities Income Tax Transfer Act.

Order - After reviewing the application, the Board approved the proposed amendment to Domestic and General Service rates as filed.

DECISION 17-2000 - December 18, 2000

Application - By letter dated December 12, 2000 Northland NWT submitted an application to revise its fuel clause rider ("Rider A") for the Dory Point and Kakisa rate zone and for the communities of Trout Lake and Fort Providence.

Order - After reviewing the schedules and information provided by Northland NWT, the Board approved the revised Rider A.

JOINT DIVISION OF THE PUBLIC UTILITIES BOARDS OF THE NWT AND NUNAVUT
SUMMARY OF 2000 BOARD DECISIONS

DECISION 1-2000 - February 29, 2000

Application - By letter dated February 25, 2000, NWTPC submitted an application to the NWT and Nunavut Public Utilities Boards ("**the Boards**"), for approval of a project permit pursuant to section 54 of the Public Utilities Act of each Territory for a major capital project.

Order - After giving consideration to the public need for the project and the reliability of the utility, the Boards approved the application for a project permit to undertake the installation of one genset and the relocation of two other gensets in NWTPC's main plant in Iqaluit.

DECISION 2-2000 - June 1, 2000

Application - By letter dated May 23, 2000, NWTPC submitted an application to the Nunavut Public Utilities Board for approval of a project permit pursuant to section 54 of the Public Utilities Act of the Territory for a major capital project.

The Nunavut Public Utilities Board provided a copy of the application to the NWT Public Utilities Board and requested that the matter be dealt with by a joint division of the two Boards.

Order - After giving consideration to the public need for the project and the reliability of the utility, the Boards approved the application for a project permit to undertake the replacement of the power plant in Sanikiluaq.

DECISION 3-2000 - June 5, 2000

Application - By letter dated March 30, 2000, NWTPC submitted to the Boards an application to revise its Diesel Communities Fuel Stabilization Fund Rider ("Rider A") for all the diesel communities it serves.

Order - After reviewed the application and NWTPC's responses to information requests, the Boards approved the proposed Rider A.

THE PUBLIC UTILITIES BOARD

1. MANDATE

The Northwest Territories Public Utilities Board is responsible for the regulation of the energy utilities in the Northwest Territories ("**NWT**"). Its prime responsibility, granted under the authority of the Public Utilities Act, is to establish just and reasonable rates for utility services, while balancing the interests of the utility customer and the investors.

2. BOARD ORGANIZATION

The Board consists of the Chairperson and four part-time members. The Board office is administered by the Board Secretary who reports to the full-time Chairperson.

In September of 1991, the Public Utilities Board underwent an organizational restructuring in accordance with amendments to the Public Utilities Act. The restructuring was in anticipation of the increased mandate of the Board, consequential to Northwest Territories Power Corporation Act amendments. The amendments provided that, in addition to determining the rate base and revenue requirements of the Northwest Territories Power Corporation, as of April 1, 1992, the Board be given the further responsibility of determining rates for the Power Corporation.

A full-time Chairperson was appointed to the Board effective September 1, 1991. As the chief executive officer, the Chairperson presides over sittings of the Board and supervises Board employees. The Act gives the Minister Responsible for the Public Utilities Board the authority to appoint, upon the recommendation of the Chairperson, a Secretary to the Board.

The Board was authorized a staff complement of five persons, however, over the past several years we have lost three staff members and decided to not hire replacements. We find that we operate efficiently with two persons and outside consultants. Because of the technical nature of our work, the Board is dependent on specialized outside assistance. We do not plan any changes as the arrangement is cost effective.

The Minister Responsible for the Public Utilities Board, upon the recommendation of Executive Council appoints members of the Board. At present, the Public Utilities Board consists of the following members:

Chairperson	John Hill, Hay River, Northwest Territories
Vice-Chairperson	Gene Nikiforuk, Inuvik, Northwest Territories
Member	Henry Beaver, Fort Smith, Northwest Territories
Member	Peter Allen, Yellowknife, Northwest Territories
Member	Gabriella Decorby, Yellowknife, Northwest Territories

The Board is assisted by:

Board Secretary	Louise Larocque
Legal Counsel	John Donihee, Gullberg, Wiest, MacPherson & Kay, Yellowknife
Consultant	Raj Retnanandan, Energy Management & Regulatory Consulting Ltd., Edmonton

REGULATORY JURISDICTION

Following are the utilities subject to the Board's jurisdiction:

Northwest Territories Power Corporation
Head Office: Hay River, Northwest Territories

Stittco Utilities NWT Ltd.
Head Office: Hay River, Northwest Territories

Northland Utilities (NWT) Limited
Head Office: Hay River, Northwest Territories

Northland Utilities (Yellowknife) Limited
Head Office: Yellowknife, Northwest Territories

The Town of Norman Wells
Head Office: Norman Wells, Northwest Territories

Aadrii Ltd.
Head Office: Yellowknife, Northwest Territories

Inuvik Gas Ltd.
Head Office: Inuvik, Northwest Territories

UTILITY REGULATION

The need for regulation arises because utilities generally provide service on a monopoly basis without the economic controls of competition. The Public Utilities Board is the proxy for competition and attempts to ensure efficiency and fair pricing. The principles of rate regulation rest on fairness to both the utility and the consumer.

2000 IN REVIEW

During the past year the sharp increase in world market prices for crude oil has had a significant impact on energy costs. Increasing crude prices have had a ripple effect on other forms of energy, such as natural gas, propane and thermally generated electricity. The increased cost of fuel has manifested itself in a number of Board Decisions related to service in the diesel communities served by NWTPC and Northland NWT.

On November 28, 2000, a Review of Electrical Generation, Distribution, Transmission and Regulation was completed under the management of a team headed by Mr. Jim Robertson, and authorized by the Cabinet of the Government of the Northwest Territories.

The Review suggested that the Public Utilities Act be repealed and the cabinet take on Public Utility Board functions that cannot be entirely eliminated or delegated. The approach was justified by reference to other jurisdictions that have moved away from regulation. Saskatchewan was cited, but the Board notes that this province has in the last two years re-instituted its Public Utilities Board with full jurisdiction over natural gas in place and jurisdiction over electricity to follow.

The Board has a number of concerns with respect to the proposed strategy. They are:

- The Cabinet cannot be an independent arbitrator on consumer or other utility complaints. (It has a financial interest in NWTPC and certainly the Minister responsible for NWTPC would have a conflict in interest).

- Consumers and other utilities would still have a right to be treated fairly and equitably (without having to go to the courts). An independent body for appeal or advice is essential.

- Creation of an administrative adjudicator function would duplicate current PUB operations without the essential independent public access process.

- Creation of compliant ombudsman position to the Cabinet would also duplicate the PUB Chairperson function at a cost, but with less independence.

- Transfer of PUB functions to GNWT only shifts costs but does not eliminate or even reduce them.

- NWTPC will still have to carry out rate design functions, and will still have to justify its rate of return and its revenue requirements.

- The Cabinet will have to determine whether rate designs are equitable and appropriate. Delegation of this role to an outside agency such as a provincial public utility board could technically be feasible, but the NWT's needs and specific

circumstances might not be adequately addressed.

- There will be a considerable degree of detail that Cabinet would be forced to deal with when circumstances require changes to various rate riders, revenue requirements, rate of return, and rate design.

- Using Yukon and British Columbia as an example for future rate strategies is not necessarily appropriate. The Yukon, while having a comparable population size, has an entirely different electricity system with almost complete land line connections of its generation. The British Columbia approach to formula rate setting is similar in form to that commonly used throughout the regulatory field and in fact, was accepted by NWT-PUB when NWTPC moved to community-based rates.

- Putting such considerable power in the hands of NWTPC (with no apparent recourse for Northland Utilities, Stittco, etc.) precludes a level playing field for consumers and competitors; allowing NWTPC to set all industry standards also seems unfair to other market player.

- Elimination of independent regulatory review of NWTPC's rate setting process creates a void for intervenors such as NWT communities that might wish to take issue with a two-tier or other rate structure.

A LOOK AHEAD

1. Strategic and Operational Review

As a result of a number of factors, such as the current movement toward deregulation of the electric utility industry in other parts of Canada, the increased use of renewable energy technologies and the need to reduce greenhouse gas emissions, the Board decided to undertake a review of its operations to ensure that its methods continue to be appropriate to the nature of the industries that it is regulating.

As well, the Board, as part of the review considered the possibility that it could be asked to regulate water and/or fuel prices.

The review commenced late in the year 2000, and a draft will be available for input form interested persons early in the year 2001.

2. Canadian Association of Members of Public Utility Tribunals (CAMPUT)

The Northwest Territories Public Utilities Board is an active participant in the activities of CAMPUT. The Board hosted a highly successful Annual Conference and General Meeting of the Association in Inuvik, in August 2000.

3. Northwest Territories Power Corporation

During the coming year, NWTPC is expected to file a General Rate Application. The Board will hold a public hearing to determine a rate base and revenue requirement. It is anticipated, that a second phase will follow to determine appropriate rates for NWTPC's customers.